Jefferson County, Wisconsin
Debt Service Policy

Policy

The County may borrow money only to finance its Capital Improvement Program and other capital assets. The County's ability to achieve the lowest possible financing costs is tied directly to its fiscal management, including the existence and adherence to formal fiscal policies. Because of the significant annual and long-range cost of debt service, and to assure both taxpayers and bond rating agencies that debt levels and ability to pay debt service are actively managed, the County adopts this policy.

Purpose

The purpose of this policy is to provide the County with a guide to manage debt levels by evaluating the need for capital investments against the capacity to pay for financing the costs of meeting that need. The goal of this policy is to equip the County Board, Administration, and taxpayers with guidelines and information that can inform good decisions on borrowing money to accomplish the fiscal and program mission of the County.

Governing Factors

By state statute, the County's debt obligation cannot exceed 5% of the equalized value of all property in the County, including Tax Increment Financing Districts.

By state statute, there is a separate property tax levy rate limit for debt service levy. The baseline for the limit is the 1992 tax rate adopted for the 1993 budget.

The County cannot issue debt to fund current or ongoing operations of the County.

Maturity of debt obligations must be no more than the useful life of the capital investment being financed, or than the final maturity of refunding debt.

Refunding opportunities will be evaluated when they arise to achieve future interest costs savings.

Debt Limitations

The County's Capital Improvement Plan includes projections for replacement of assets as well as anticipating investment in new assets that may be needed. The plan is expected to be updated periodically to reflect additions, deletions and other changes in assets or circumstances. It is expected that investment in operating equipment, fleet and technology will be transitioned such that acquisitions will be made through annual budget appropriations when applicable, as determined by management and the County Board.

Bond proceeds should be limited to financing the costs of planning, design, land acquisition, buildings, permanent structures, attached fixtures or equipment, and movable pieces of equipment, or other costs as permitted by law. Acceptable uses of bond proceeds can be viewed as items which can be capitalized. Non-capital furnishings and supplies will not be financed from bond proceeds. Refunding bond issues designed to restructure currently outstanding debt are an acceptable use of bond proceeds.

The County will not use short-term borrowing to finance operating needs except in the case of extreme financial emergency which is beyond its control or reasonable ability to forecast.

Borrowing capacity will be evaluated first by the Governing Principles, and then using a number of factors, specifically:

1. Demand-what is the need for borrowing
   a. Demand is measured by the needs presented by the Capital Plan. It can also be based on opportunities that arise from time to time which require capital investment by the County.

2. Capacity-what is the maximum amount to borrow
   a. The maximum amount to be borrowed at any given time will be determined by evaluating the following factors:
      1. Current and projected annual debt service level
      2. Market Conditions
      3. Economic conditions
      4. Opportunity for participating in low interest financing, grant opportunities and other situations beneficial to the County.

3. Affordability-what is the fiscal impact
   a. A projection of annual debt service impact for each borrowing will be done, incorporating the elements of capacity. It will include budgetary impact, as well as a projection of tax impact. Debt service will be calculated as the annual amount needed to satisfy principal and interest payments.

4. Term-length of payback period

5. Payment Structure-how payments are applied

6. Advance Refundings-bond issuance used to pay off another outstanding bond that bears a higher rate of interest

Bond Ratings

Debt issuance is rated by agencies specializing in the analysis of organizations' ability to pay off their debt. The County is rated for each bond issue.

It is the goal of the County to maintain and if possible, to improve these ratings, as it allows easy entry into the bond sale market and favorable interest rates. This policy, in conjunction with other fiscal policies of the County and overall good fiscal management are critical in rating maintenance.

Debt Issuance

The County relies on the sale of bonds for the majority of its financing needs. These sales are conducted through the use of a financial advisory firm and recognized bond counsel. This allows the County continued access to the bond market and ensures compliance with all the Securities and Exchange Commission (SEC), Municipal Securities Rulemaking Board (MSRB) and IRS regulations.

Bonds will be sold on a competitive basis.

Reporting

The County's debt information is part of the Comprehensive Annual Financial Report (CAFR). Annual debt service requirements are budgeted as part of the annual budget approval process. Bond ratings received by rating agencies are published and available for public review.

Administration

This policy is for use in guiding financing decisions of the County, and can be interpreted by the County Board as part of overall discussions related to debt issuance. It is administered in conjunction with the County's other fiscal policies. It may be amended or revised from time to time as determined by the County Board.